Department of Medical Assistance Services
600 East Broad Street
Suite 1300
Richmond, VA 23219

https://dmas.virginia.gov

MEDICAID MEMO

Last Updated: 03/09/2022

Inpatient Hospital Reimbursement Changes — Effective October 1, 2014 - APR-DRG Grouper

The purpose of this memorandum is to notify providers of changes to inpatient hospital reimbursement, effective October 1, 2014. This implementation was originally scheduled for July 1, 2014, but was delayed due to the budget uncertainty. DMAS will implement All Patient Refined Diagnosis-Related Group (APR-DRG) grouper for dates of discharge on or after October 1, 2014. The APR-DRGs being implemented are an extension of the basic All Patient (AP)-DRG structure enhanced by adding four SOI (Severity of Illness) levels for each DRG. DMAS worked closely with the Virginia Hospital and Health Care Association (VHHA) and the Hospital Payment Policy Advisory Council to develop the reimbursement methodology and review the impact of changes necessary to implement APR-DRG.
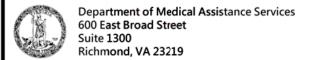
All Patient Refined Diagnosis-Related Group (APR-DRG)

The APR-DRG Classification System developed by 3M uses discharge information to classify patients into clinically meaningful groups; the patients grouped into each DRG are similar in terms of both clinical characteristics and the hospital resources they consume. Being a more refined grouper, APR-DRG uses 4 SOI (Severity of Illness) levels to create more specific groupings. In APR-DRG version 31 there are 315 base APR-DRGs and the combination of APR-DRGs with the 4 SOI levels will result in 1,262 possible DRG assignments.

Severity of Illness (SOI)

SOI is based on the extent of physiologic decomposition or organ system loss of function. The determination of the severity of illness (SOI) is disease-specific. The addition of SOI provides a more accurate evaluation of both resource use and outcomes. A patient is first assigned to a base APR-DRG (e.g.: APR-DRG 139, Other Pneumonia). The patient is then separately assigned a distinct severity of illness. The SOI has four possible assignment levels: 1 = Minor 2 = Moderate 3 = Major 4 = Extreme. The presence of multiple co-morbid conditions in combination increases the severity of illness for a patient.

Billing

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MEDICAID MEMO

There are no billing changes. As a reminder, the following discharge data elements are required to determine the APR- DRG SOI assignment:

- Principal diagnosis coded
- Principal procedure coded
- Secondary diagnoses coded
- Secondary procedures coded
- Age
- Sex
- Birth weight
- Discharge Date

Medicaid
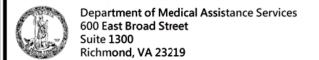Memo:
Special
August 20,
2014

Page 2

- Status of discharge
- Days on mechanical ventilator

The remittance advice will show the DRG, a slash, then the SOI level. Example: A patient with a DRG of **230** and a SOI level of **3** will read on the remittance as: DRG/SOI: **230/3**.

Reimbursement

The 3M APR-DRG Software improves the accuracy of pricing and reimbursement by capturing differences in severity of illness among patients. While the primary goal of transitioning to APR-DRG is to improve the accuracy of pricing and reimbursement, the current AP-DRG software will not be updated for ICD-10 diagnosis codes while the APR-DRG software will be. By implementing now, providers will have a year of experience with APR-DRG using ICD-9 diagnoses before the transition to ICD-10 diagnoses effective for dates of discharge on or after October 1, 2015.

DMAS developed new inpatient hospital reimbursement case rates for APR-DRG in a budget neutral manner using the same SFY 2011 base year used in last year's AP-DRG rebasing. The APR-DRG implementation is not expected to produce an increase or decrease in overall expenditures. However, to lessen the impact of the APR-DRG implementation on individual

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hospitals and maintain budget neutrality, DMAS will employ a transition methodology.

Transition

After reviewing a few possible transition methodologies with VHHA, DMAS agreed that a blend of AP-DRG and APR- DRG weights is the best option. There will be a three-year transition to the new APR-DRG system. Rates will be a blend of the current AP-DRG weights and the new APR-DRG weights. The provider-specific case rates will reflect the blended weights and will be reimbursed prospectively. Using a three-year transition period, the weights will be based on the following blend of AP-DRG and APR-DRG weights:

- SFY 2015 – 50% APR-DRG and 50% AP-DRG
- SFY 2016 – 75% APR-DRG and 25% AP-DRG
- SFY 2017 – 100% APR-DRG (Full Implementation)

Full implementation of APR-DRG in SFY 2017 will also coincide with rebasing. The new blended APR-DRG weights and inpatient hospital rate parameters for dates of discharge on or after October 1, 2014 are available on the DMAS website at www.dmas.virginia.gov. Click on Provider Services, Rate Setting Information, Hospital Rates.

The Virginia-specific 3M software version will be available in the August 20th 3M release. For more information on the 3M software, please call 800-367-2447 or use the following link: www.3MHIS.com.

VIRGINIA MEDICAID WEB PORTAL

DMAS offers a web-based Internet option to access information regarding Medicaid or FAMIS member eligibility, claims status, payment status, service limits, service authorizations, and electronic copies of remittance advices. Providers must register through the Virginia Medicaid Web Portal in order to access this information. The Virginia Medicaid Web Portal can be accessed by going to: www.virginiamedicaid.dmas.virginia.gov. If you have any questions regarding the Virginia Medicaid Web Portal, please contact the Xerox State Healthcare Web Portal Support Helpdesk, toll free, at 1-866-352-0496 from 8:00 a.m. to 5:00 p.m. Monday through Friday, except holidays. The MediCall audio response system provides similar information and can be accessed by calling 1-800-884-9730 or 1-800-772- 9996. Both options

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are available at no cost to the provider. Providers may also access service authorization information including status via KEPRO's Provider Portal at http://dmas.kepro.com.

"HELPLINE"

The "HELPLINE" is available to answer questions Monday through Friday from 8:00 a.m. to 5:00 p.m., except on holidays. The "HELPLINE" numbers are:

    1-804-786-6273 Richmond area and out-of-state long distance

    1-800-552-8627 All other areas (in-state, toll-free long distance)

Please remember that the "HELPLINE" is for provider use only. Please have your Medicaid Provider Identification Number available when you call.